

CITIES AND TOWNS BULLETIN

AND UNIFORM COMPLIANCE GUIDELINES

ISSUED BY STATE BOARD OF ACCOUNTS

March 1996

APRIL AND JUNE TRAINING SCHOOLS

The Indiana League of Municipal Clerks and Treasurers' (ILMCT) Annual Conference will be held April 17, 18, and 19, 1996, at the Holiday Inn in Columbus, Indiana. The State Board of Accounts and State Board of Tax Commissioners will again be conducting a one-day accounting and budgeting school on the second day of the conference, April 18, which would be a State-called meeting day.

The State Board of Accounts Annual School for City Clerks, City Controllers, and City and Town Clerk-Treasurers will be held June 5 and 6, 1996, at the Marriott East Hotel, Indianapolis, Indiana.

Please mark these dates on your calendar. Explanatory letters along with tentative agendas will be mailed prior to these two events.

APPROVAL OF ACCOUNTING FORMS AND SYSTEMS

The State Board of Accounts is charged by law with the responsibility of prescribing and installing a system of accounting and reporting which shall be uniform for every public office and every public account of the same class. [IC 5-11-1-2]

A prescribed form is one which is put into general use for all offices of the same class, whereas an approved form is for special use in a particular office.

Cities and towns are required by law to use the forms prescribed by this department. However, if it is desirable to use a different form or to have a prescribed form modified to conform to local conditions, a letter and three copies of the proposed form may be submitted to the State Board of Accounts for approval. No form should be printed and placed in use, other than a prescribed form, without prior approval.

As a result of advances in computer technology, some computer hardware, software and application systems can now produce exact replicas of the forms prescribed by the State Board of Accounts and documented in the Accounting Manuals which this agency provides to governmental units. In addition, some of the prescribed forms are currently replicated on continuous, preformatted computer paper.

NEW FORM APPROVAL PROCESS-COMPUTERIZED SYSTEMS

Several software vendors have been able to take advantage of the newer technologies while other vendors have been unable to replicate prescribed forms. Certainly the prescribed form replication is the preferred approach from our audit position. However, in an effort to accommodate, the State Board of Accounts offers the following alternative.

Decisions regarding the participation of cities and towns with vendor software systems are the responsibility of the appropriate elected or appointed governing body of a city or town in accordance with statutory authority. Accordingly, a governing body, if desiring to use forms generated by a particular software program or package, may pass a resolution so stating their preference. The resolution and a letter (sample letter on page 3) would be sent to the State Board of Accounts for compliance with applicable statutes and regulations and to provide assurance that the city or town does indeed desire to use the forms. The forms submitted should be a facsimile of the prescribed system (headings and titles, etc.). Otherwise, a cross-reference to the prescribed form intended to be replaced should be submitted. The State Board of Accounts' approval is based upon compliance with the conditions outlined on pages 4 and 5 and review during the audits of the city or town. Thereafter, other cities and towns may use any forms previously approved for the original city or town using that particular software program (assuming compliance with the conditions outlined on pages 4 and 5 and subsequent audits).

Any forms not previously reviewed and approved by the State Board of Accounts would need to go through the traditional form approval process.

Summarization of the new form approval process:

1. City or Town "A" passes a resolution in a public meeting stating the desire to use forms generated by a specific software program.
2. A copy of the resolution along with information in the sample letter (page 3) is sent to the State Board of Accounts by City or Town "A" along with a sample of all reports and forms of the system. The forms submitted should be similar to the prescribed system (headings and titles, etc.). Otherwise, a cross-reference to the prescribed form intended to be replaced must be submitted.
3. City or Town "A" receives an approval letter from the State Board of Accounts and begins using the forms without any further approvals in the future unless the forms change.
4. City or Town "B", "C", etc., sends to the State Board of Accounts the same type of resolution and sample letter (page 3), (no forms are sent to the State Board of Accounts). City or Town "B", "C", etc., adheres to the conditions on pages 4 and 5 and recommendations made during audits and begin using the forms without further approvals in the future unless the forms change. **Previously approved forms for that system do not have to be sent in for approval.** City and Town "B", "C", etc. will not receive approval letters as they have agreed to abide by the conditions listed in the "Cities and Towns Bulletins".

We are hopeful the new process will provide an innovative procedure to save time and expense by a city or town while still complying with statutory and regulatory requirements.

LETTERHEAD
OF
GOVERNMENTAL UNIT

State Board of Accounts
302 West Washington Street
4th Floor, Room E418
Indianapolis, IN 46204-2765

Re: Form Approvals

The **(NAME OF GOVERNING BODY)** passed the attached resolution concerning usage of forms for the **(NAME OF GOVERNMENTAL UNIT)**.

The **(NAME OF GOVERNING BODY)** is ultimately responsible for all forms and systems to be used. Accordingly, we are requesting to be authorized to use the forms and systems provided (1) and **(NAME OF CITY OR TOWN WHICH FIRST RECEIVED AN APPROVAL)** as these forms were approved by your Office in writing as of **(DATE OF ORIGINAL APPROVAL)**. We will abide by the form approval requirements as stated in the "Cities and Towns Bulletin" and during audits by the State Board of Accounts.

The **(NAME OF GOVERNING BODY)** will notify you in writing if desiring to discontinue use of the system approved. Any forms that are not in an all inclusive approved package would still need to be approved by your Office. Furthermore, if we desire to use any forms which have changed since the date of original approval above, and those forms have not received a written approval from your Office, we will immediately submit those forms for approval.

We also understand the process of a letter and resolution are not an attempt to provide preferential treatment to any vendor but instead are an effort to expedite the form approval process required by statute and regulation. Finally, we are aware that any system or hardware changes initiated by a vendor and the resultant costs, are vendor, market or consumer demand driven.

(PRESIDENT OR CHAIRMAN OF THE GOVERNING BODY)

(DATE)

(CHIEF EXECUTIVE OFFICER)

(DATE)

(1) The first City or Town approved would have a period after the word "provided" and the rest of the sentence would be deleted. All other Cities and Towns requesting use of that system should show the information stated after the word "provided".

FORM APPROVAL CONDITIONS

1. Any items noted in red ink are a condition of approval.
2. The forms and system shall be subject to further review and/or recommendations during the audits of the city or town to allow for on-site review as well as to ensure compliance with current statutes.
3. Any other forms, (checks, receipts, etc.) necessary to complete the system shall be submitted to the State Board of Accounts for approval. You shall continue to maintain all prescribed forms not otherwise covered by an approval.
4. All transactions that occur in the system must be recorded. Transactions can be maintained on-line, on backup tapes, microfilmed, or printed on hardcopy. These transactions include but are not limited to: all input transactions, transactions that generate receipts, transactions that generate checks, master file updates, and all transactions that affect the ledgers in any way. For all information maintained on the system, the system must be designed in such a manner that changes to a transaction file cannot occur without being processed through an application.
5. The ability must not exist to change data after being posted. If an error is discovered after the entry has been posted, then a separate correcting entry must be made. Both the correcting entry and the original entry must be maintained.
6. If the City or Town owns the source code, sufficient controls must exist to prevent unauthorized modification. If the City or Town does not own the source code, upon request or in the event the vendor no longer provides maintenance service for the system, the vendor shall provide representatives of the State Board of Accounts with access to all computer source code for the system. In addition, the vendor shall provide representatives of the State Board of Accounts with a document describing the operating system used, the language that the source code is written in, the name of the compiler used, and the structure of the data files including data file names and data file descriptions, field names and field descriptions for the system upon request.
7. Any checks, receipts, purchase orders, deposit advices or other prescribed forms that require numbering shall be serially prenumbered by the printing supplier prior to delivery to the City or Town. All receipts are to be printed at the time money is received. Furthermore, checks, receipts, purchase orders or deposit advices shall not be presigned and shall have duplicates. An approved check register may be used to meet the duplicate requirement for checks and deposit advices.

FORM APPROVAL CONDITIONS

(Continued)

8. Recap sheets for each depository for deposit advices, if applicable, will be maintained indicating direct deposits. Individual wage assignment agreements will be kept on file to support direct deposit.
9. All print outs will be kept in post binders.
10. Checks drawn on multiple bank accounts should only occur as a result of compliance with the Public Depository Law.

\$5.00 DELINQUENT SEWER SERVICE CHARGE

A \$5.00 service fee is to be added by the proper City or Town official to each delinquent fee, penalty, and recording fee and is included in the total amount of the lien to be recorded in the County Recorder's office. The statute pertaining to this particular subject is found in IC 36-9-23-33(c).

When the delinquent fee, penalty, and recording fee have been recorded in the County Recorder's office, and the charges have not yet been certified to the County Auditor, the proper City or Town official may collect the total amount due on any lien. When collected, the city or town official shall also collect the \$5.00 service fee and shall remit the \$5.00 fee to the County Treasurer to be quietused into the County General Fund.

After any delinquent fees, penalties, recording fees and service fees have been certified to the County Auditor for placing the charges upon the tax duplicate for collection, the city or town shall not collect these charges but they will be collected only by the County Treasurer. The list supplied by the City or Town to the County Auditor shall be compiled from the lists previously recorded in the office of the County Recorder and not satisfied.

1937 FIREFIGHTER'S PENSION FUND-
OFFICIAL BOND REQUIREMENTS

The president of the local pension board (the fire chief as defined in IC 36-8-7-7), shall execute the officer's bond in the sum that the local board considers adequate, conditioned that he will faithfully discharge the duties of his office and faithfully account for and pay over to the persons authorized to receive it all money that comes into his hands by virtue of his office [IC 36-8-7-10(c)].

1925 POLICE PENSION FUND - OFFICIAL
BOND REQUIREMENTS

The pension secretary shall, in the manner prescribed by IC 5-4-1, execute a bond conditioned upon the faithful discharge of his duties [IC 36-8-6-3(d)]. IC 5-4-1-18 states that the fiscal body of the unit shall fix the amount of the bond.

WORKMEN'S COMPENSATION INSURANCE

Under IC 22-3-6-1 it is permissible to cover the officers of a municipal corporation in the contract of insurance. The following is quoted from that statute:

". . . An executive officer of a municipal corporation or other governmental subdivision . . . , may notwithstanding any other provision of IC 22-3-2 through IC 22-3-6, be brought within the coverage of its insurance contract by the corporation by specifically including the executive officer in the contract of insurance. The election to bring the executive officer within the coverage shall continue for the period the contract of insurance is in effect, and during this period, the executive officers thus brought within the coverage of the insurance contract are employees of the corporation under IC 22-3-2 through IC 22-3-6. . ."

In view of the foregoing provisions, it is the policy of the State Board of Accounts to raise no objection to workmen's compensation premiums based on salaries of officials and deputies included in the payroll audits, providing such officials and deputies are specifically included in the terms of the insurance policy. Where not so included, however, we question payment of such premiums since the city or town is expending funds for this protection without the insurance company having any liability therefore under the terms of the policy.

We suggest, before making payment of any premiums for workmen's compensation insurance involving the payrolls of officials and deputies, that you check the insurance policy closely to see that the officials and deputies are specifically included under its terms.

ADDITIONAL COMPENSATION FOR CITY ATTORNEY

The city attorney may receive additional compensation from the funds of a utility or function, but this compensation results from his employment as city attorney and not from a separate contract of employment.

The Attorney General held in Official Opinion No. 45, issued October 13, 1965, as follows:

1. "A city attorney may receive additional compensation for service performed in connection with the creation or the operation of a municipally owned function or utility provided that the utility is one that collects revenue from its operation, that the service performed is other than governmental, and that the additional compensation is awarded by the governing body of the utility and approved by the mayor and common council."
2. "The additional compensation must come from either revenue collected from the operation of the utility or funds raised by the sale of revenue bonds to be redeemed by revenue collected from the operation of the utility. If the additional compensation is inadvertently paid from some other source, that source must be recompensed by monies drawn from the proper source."

In view of the foregoing, the city attorney could be compensated by the utility or function for services other than governmental in any amount fixed in accordance with IC 36-4-7-4. The Attorney General in this Opinion pointed out that the statute contains no restrictions as to when the additional compensation is to be paid or as to the period of time involved.

This additional compensation, of course, would be in addition to the city attorney's salary which is paid from budgeted funds and could be fixed or increased at any time to compensate for services rendered in connection with a revenue bond issue, providing such compensation is fixed by the governing board of the utility and is approved by the mayor and the common council.

If the official records of the utility or function do not show the award of this additional compensation and the official records of the civil city do not show approval of the mayor and common council, either by ordinance or resolution as the statutes regulating the utility might provide, then there is no authority to make any payment.

We wish to point out there is no statutory authority for the city attorney to receive additional compensation for services rendered in connection with the issuance of general obligation bonds.

It is also our audit position that litigation services will not fall within the normal duties of a City Attorney and the City Attorney could receive additional compensation if such services were provided to the City.

MUNICIPAL UTILITIES - CLERK-TREASURER'S DUTIES

IC 8-1.5-3-4 requires the board over a municipally-owned water, gas or electric utility to deposit all money collected with the municipality's fiscal officer and to make monthly reports to the fiscal officer of the receipts and disbursements of money belonging to each utility.

This section, as well as the language contained in IC 36-9-23 for sewage utilities, does not appear to require a clerk-treasurer to perform any duties other than to maintain a bank account for each utility and to sign utility warrants. It has been the position of this department for many years that the board over the utilities would decide which person would be responsible for utility billing and collection. Such person could be the clerk-treasurer or someone else.

PROMOTION OF CITY AND TOWN BUSINESS

IC 36-7-2-7 allows cities and towns to promote economic development and tourism. Such statute replaced a prior law which authorized cities and towns to budget and appropriate funds from the general fund to pay the expenses of, or to reimburse city or town officials as the case may be, for expenses incurred in promoting the best interest of the city or town.

In an effort to assist cities and towns that have not passed an enabling ordinance but who wish to establish the promotion of business appropriation, we are repeating wording contained in the old statute. Many municipalities have used similar wording in their enabling ordinance.

"City and town councils are authorized to budget and appropriate funds from the general fund of the city, or town, to pay the expenses of or to reimburse city officials or town officials as the case may be for expenses incurred in promoting the best interest of the city or town. Such expenses may include, but not necessarily be limited to rental of meeting places, meals, decorations, memorabilia, awards, expenses incurred in interviewing job applicants, expenses incurred in promoting industrial, commercial, and residential development, expenses incurred in developing relations with other units of government and any other expenses of a civic or governmental nature deemed by the mayor or the town council to be in the interest of the city or town."

This is furnished only for your information. Each city and town should establish, by ordinance, the parameters for such appropriations and expenditures.